

## **Assembly Bill No. 650**

### **CHAPTER 606**

An act to add Part 10.3 (commencing with Section 19850) to Division 2 of the Revenue and Taxation Code, relating to taxation.

[Approved by Governor October 13, 2007. Filed with  
Secretary of State October 13, 2007.]

#### **LEGISLATIVE COUNSEL'S DIGEST**

AB 650, Lieu. Personal income taxes: earned income tax credit: notification.

The Personal Income Tax Law authorizes various credits against the taxes imposed by that law. The federal income tax laws authorize a refundable earned income tax credit for certain low-income individuals who have earned income and who meet certain other requirements.

The bill would require an employer, as defined, to notify all employees that they may be eligible for the federal earned income tax credit, as specified.

*The people of the State of California do enact as follows:*

SECTION 1. Part 10.3 (commencing with Section 19850) is added to Division 2 of the Revenue and Taxation Code, to read:

#### **PART 10.3. EARNED INCOME TAX CREDIT INFORMATION ACT**

19850. This act shall be known and may be cited as the Earned Income Tax Credit Information Act.

19851. The Legislature finds and declares as follows:

(a) Congress created the federal earned income tax credit (EITC) in 1975 to offset the adverse effects of the Medicare and social security payroll taxes on working poor families and to encourage low-income workers to seek employment rather than welfare.

(b) Due to a relatively low percentage of federal earned income tax credit eligible persons that participate in the federal Earned Income Tax Credit program, hundreds of millions of federal dollars go unclaimed by the working poor in California.

(c) In order to alleviate the tax burden on working poor persons and families, to enhance the wages and income of working poor persons and families, to ensure that California receives its share of the federal money available in the federal Earned Income Tax Credit program, and to inject additional federal money into the California economy, the state shall facilitate

the furnishing of information to working poor persons and families regarding the availability of the federal earned income tax credit so that they may claim that credit on their federal income tax returns.

(d) It is the intent of this act to offer the most cost-effective assistance to eligible taxpayers through notices provided by their employers.

19852. For purposes of this part, the following terms have the following meanings:

(a) “Employer” means any California employer who is subject to, and is required to provide, unemployment insurance to his or her employees, under the Unemployment Insurance Code.

(b) “Employee” means any person who is covered by unemployment insurance by his or her employer, pursuant to the Unemployment Insurance Code.

(c) “EITC” means the federal earned income tax credit, as defined in Section 32 of the Internal Revenue Code.

19853. (a) An employer shall notify all employees that they may be eligible for the EITC within one week before or after, or at the same time, that the employer provides an annual wage summary, including, but not limited to, a Form W-2 or a Form 1099, to any employee.

(b) The employer shall provide the notification required by subdivision (a) by handing directly to the employee or mailing to the employee’s last known address either of the following:

(1) Instructions on how to obtain any notices available from the Internal Revenue Service for this purpose, including, but not limited to, the IRS Notice 797 and Form W-5, or any successor notice or form.

(2) Any notice created by the employer, as long as it contains substantially the same language as the notice described in paragraph (1) or in subdivision (a) of Section 19854.

(c) The employer shall not satisfy the notification required by subdivision (a) by posting a notice on an employee bulletin board or sending it through office mail. However, these methods of notification are encouraged to help inform all employees of the EITC.

(d) Every employer shall process, in accordance with federal law, Form W-5 for advance payments of the EITC, upon the request of the employee.

19854. The notice furnished to employees regarding the availability of the EITC shall state as follows:

BASED ON YOUR ANNUAL EARNINGS, YOU MAY BE ELIGIBLE TO RECEIVE THE EARNED INCOME TAX CREDIT FROM THE FEDERAL GOVERNMENT. THE EARNED INCOME TAX CREDIT IS A REFUNDABLE FEDERAL INCOME TAX CREDIT FOR LOW-INCOME WORKING INDIVIDUALS AND FAMILIES. THE EARNED INCOME TAX CREDIT HAS NO EFFECT ON CERTAIN WELFARE BENEFITS. IN MOST CASES, EARNED INCOME TAX CREDIT PAYMENTS WILL NOT BE USED TO DETERMINE ELIGIBILITY FOR MEDICAID, SUPPLEMENTAL SECURITY INCOME, FOOD STAMPS,

LOW-INCOME HOUSING OR MOST TEMPORARY ASSISTANCE FOR NEEDY FAMILIES PAYMENTS. EVEN IF YOU DO NOT OWE FEDERAL TAXES, YOU MUST FILE A TAX RETURN TO RECEIVE THE EARNED INCOME TAX CREDIT. BE SURE TO FILL OUT THE EARNED INCOME TAX CREDIT FORM IN THE FEDERAL INCOME TAX RETURN BOOKLET. FOR INFORMATION REGARDING YOUR ELIGIBILITY TO RECEIVE THE EARNED INCOME TAX CREDIT, INCLUDING INFORMATION ON HOW TO OBTAIN THE IRS NOTICE 797 OR FORM W-5, OR ANY OTHER NECESSARY FORMS AND INSTRUCTIONS, CONTACT THE INTERNAL REVENUE SERVICE BY CALLING 1-800-829-3676 OR THROUGH ITS WEB SITE AT [WWW.IRS.GOV](http://WWW.IRS.GOV).

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